

## UK economy stalling as Brexit concerns mount

The service-sector kept the UK economy crawling along in November, but recent surveys point to a further slowdown in growth both in December and the early stages of 2019, as Brexit uncertainty weighs more heavily on activity



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According to the latest set of monthly UK data, the economy fared slightly better than feared in November. The economy grew by 0.2% on the month, driven primarily by another better month for the service sector. Dig a little deeper though, and the picture still looks fairly grim.

Firstly, the manufacturing sector contracted for the fifth month in a row and on a year-on-year basis, is now shrinking at the fastest rate since before the 2016 referendum. We don't expect conditions to get any easier given the recent slowdown in Europe (and elsewhere), while we also [don't expect pre-Brexit stockpiling](#) to significantly drive up production given the lack of storage capacity for inventories. The slowdown in global demand also appears to be taking its toll on the trade balance, which widened further in November.

Secondly, the [most recent survey readings](#) from the service sector suggest there was a pronounced slowdown in December, which looks set to persist into the new year. The service-sector PMI indicated that new orders growth has stalled amid Brexit uncertainty, while the recent decline in consumer confidence appears to have hit the high street hard over Christmas. The latest

British Retail Consortium figures suggest it was one of the worst Christmas trading periods since the financial crisis.

The upshot is that growth looks set to be noticeably slower in the fourth quarter than the third, when activity was boosted by warm weather. We expect GDP growth in the 0.2/0.3% region in the final quarter of 2018, and something similar for the first three months of 2019.

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